

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Homer Township	County Midland
Fiscal Year End June 30, 2007	Opinion Date December 19, 2007	Date Audit Report Submitted to State December 28, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).



Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input checked="" type="checkbox"/>	Internal Audit Committee Letter
Certified Public Accountant (Firm Name) Burnside & Lang, P.C.		Telephone Number (989) 835-7721
Street Address 5915 Eastman Ave, Suite 100		City Midland
		State MI
		Zip 48640
Authorizing CPA Signature 	Printed Name Mark R. Freed, CPA, CSEP	License Number 1101012221

**Homer Township**  
Midland County, Michigan

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Financial Statements

June 30, 2007

**HOMER TOWNSHIP  
TOWNSHIP OFFICIALS  
AS OF JUNE 30, 2007**

**OFFICERS**

Julie Atkinson, Supervisor  
Todd Lee, Clerk  
Albert Tew, Treasurer

**TRUSTEES**

Helen Mudd  
John Stern  
Russ Varner  
Chad Moody

**POPULATION-2000  
3,924**

**STATE EQUALIZED VALUATION-2006  
\$ 122,246,967**

**STATE TAXABLE VALUE-2006  
\$ 99,495,052**

**HOMER TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
AUDITED FINANCIAL STATEMENTS  
June 30, 2007**

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**Independent Auditors' Report**

Members of The Township  
Board of Trustees  
Homer Township  
Midland County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Homer Township (the "Township"), Midland County, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Homer Township, Midland County, Michigan, as of June 30, 2007, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 18 and 19 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements of Homer Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Midland, Michigan  
December 19, 2007

**HOMER TOWNSHIP**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**June 30, 2007**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,826,233
Assessments receivable, net	5,651,746
Due from other governmental units	42,542
Prepaid items	574,080
Bond issue costs, net	19,844
Capital assets:	
Land and improvements	457,809
Buildings and improvements, net	1,899,997
Equipment, net	115,762
Vehicles, net	205,406
Water system, net	9,122,733
Total capital assets	<u>11,801,707</u>
<b>Total assets</b>	<b><u>19,916,152</u></b>
<b>LIABILITIES</b>	
Accounts payable	18,192
Accrued expenses	7,657
Deferred revenue	5,651,746
Long-term liabilities:	
Portion due or payable after one year:	
Bonds and contracts payable	<u>8,430,000</u>
<b>Total liabilities</b>	<b><u>14,107,595</u></b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,371,707
Restricted for:	
Debt service	1,604,506
Unrestricted	<u>832,344</u>
<b>Total net assets</b>	<b><u>\$ 5,808,557</u></b>

The accompanying notes are an integral part of these financial statements.

**Exhibit 2**

**HOMER TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2007**

<b>Activities:</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expenses) Revenues and Changes in Net Assets</b>
		<b>Fees, Fines and Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Governmental:</b>					
General government	\$ 307,652	\$ 34,126	\$ -	\$ -	\$ (273,526)
Public safety	220,016	20,190	-	-	(199,826)
Public works	624,581	-	-	-	(624,581)
Community and economic development	6,400	-	-	-	(6,400)
Recreation and culture	49,475	-	-	-	(49,475)
Interest and fiscal charges	369,692	-	-	-	(369,692)
<b>Total governmental activities</b>	<b>\$ 1,577,816</b>	<b>\$ 54,316</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(1,523,500)</b>
General revenues:					
Property taxes, levied for general purposes					422,803
State aid					273,281
Investment earnings					371,507
Miscellaneous					156,498
Special assessments					611,911
Total general revenues					1,836,000
Change in net assets					312,500
Net assets-beginning					5,496,057
<b>Net assets-ending</b>					<b>\$ 5,808,557</b>

The accompanying notes are an integral part of these financial statements.



**HOMER TOWNSHIP**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**June 30, 2007**

	<u>General</u>	<u>Fire Department</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 179,166	\$ 189,864	\$ 1,457,203	\$ 1,826,233
Assessments receivables, net	-	-	5,651,746	5,651,746
Due from other funds	128,251	-	47,221	175,472
Due from other governmental units	42,542	-	-	42,542
Prepaid items	-	-	574,080	574,080
Bond issue costs, net	-	-	19,844	19,844
<b>Total assets</b>	<b><u>\$ 349,959</u></b>	<b><u>\$ 189,864</u></b>	<b><u>\$ 7,750,094</u></b>	<b><u>\$ 8,289,917</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 17,608	\$ 304	\$ 280	\$ 18,192
Accrued expenses	3,736	3,526	395	7,657
Due to other funds	-	85,343	90,129	175,472
Deferred revenue	-	-	5,651,746	5,651,746
Total liabilities	<u>21,344</u>	<u>89,173</u>	<u>5,742,550</u>	<u>5,853,067</u>
Fund balances:				
Reserved for:				
Unreserved and undesignated	<u>328,615</u>	<u>100,691</u>	<u>2,007,544</u>	<u>2,436,850</u>
Total fund balances	<u>328,615</u>	<u>100,691</u>	<u>2,007,544</u>	<u>2,436,850</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 349,959</u></b>	<b><u>\$ 189,864</u></b>	<b><u>\$ 7,750,094</u></b>	<b><u>\$ 8,289,917</u></b>

The accompanying notes are an integral part of these financial statements.

**HOMER TOWNSHIP**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2007**

Total fund balances for governmental funds (Exhibit 3) \$ 2,436,850

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and improvements, net of \$4,954 accumulated depreciation	\$ 457,809	
Buildings and improvements, net of \$657,841 accumulated depreciation	1,899,997	
Equipment, net of \$269,927 accumulated depreciation	115,762	
Vehicles, net of \$173,532 accumulated depreciation	205,406	
Water system, net of \$1,496,241 accumulated depreciation	9,122,733	
Total capital assets		11,801,707

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Balances at June 30, 2007 are:

Road special assessment bonds, 7/7/1993	(10,000)	
District 1 water supply bonds, 9/1/1997	(3,015,000)	
Districts 3 & 4 water supply bonds, 2/1/2003	(2,625,000)	
Districts 6 & 7 water supply bonds, 11/1/2003	(2,420,000)	
Districts 8 & 10 water supply bonds, 12/8/2005	(360,000)	
		(8,430,000)

Total net assets of governmental activities (Exhibit 1) \$ 5,808,557

The accompanying notes are an integral part of these financial statements.

**HOMER TOWNSHIP**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES**  
**For the Year Ended June 30, 2007**

	<b>General</b>	<b>Fire Department</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>REVENUES</b>				
Property taxes and related fees	\$ 322,053	\$ 94,941	\$ 5,809	\$ 422,803
Licenses and permits	-	-	20,190	20,190
State aid	273,281	-	-	273,281
Charges for services	34,126	-	-	34,126
Interest and dividends	2,140	3,531	365,836	371,507
Rents and royalties	29,758	24,682	-	54,440
Special assessments, net	-	-	611,911	611,911
Miscellaneous	17,700	-	84,358	102,058
Total revenues	<u>679,058</u>	<u>123,154</u>	<u>1,088,104</u>	<u>1,890,316</u>
<b>EXPENDITURES</b>				
General government	300,725	-	-	300,725
Public safety	3,785	98,847	32,632	135,264
Public works	335,715	-	62,648	398,363
Community and economic development	6,400	-	-	6,400
Recreation and culture	44,885	-	-	44,885
Capital outlay	-	-	12,368	12,368
Debt service				
Principal	-	-	570,000	570,000
Interest	-	-	368,842	368,842
Paying agent fees	-	-	850	850
Total expenditures	<u>691,510</u>	<u>98,847</u>	<u>1,047,340</u>	<u>1,837,697</u>
Excess (deficiency) of revenues over expenditures	(12,452)	24,307	40,764	52,619
Fund balances-beginning	<u>341,067</u>	<u>76,384</u>	<u>1,966,780</u>	<u>2,384,231</u>
Fund balances-ending	<u><u>\$ 328,615</u></u>	<u><u>\$ 100,691</u></u>	<u><u>\$ 2,007,544</u></u>	<u><u>\$ 2,436,850</u></u>

The accompanying notes are an integral part of these financial statements.

**HOMER TOWNSHIP  
RECONCILIATION OF THE STATEMENT OF REVENUE,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2007**

Net change in fund balances - total governmental funds (Exhibit 4)	\$	52,619
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$12,368) was exceeded by depreciation (\$309,288) and a loss on disposal (\$13,199) in the current period.		(310,119)
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Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:

Road special assessment bonds, 7/7/1993	5,000	
District 1 water supply bonds, 9/1/1997	240,000	
Districts 3 & 4 water supply bonds, 2/1/2003	155,000	
Districts 6 & 7 water supply bonds, 11/1/2003	155,000	
Districts 8 & 10 water supply bonds, 12/8/2005	15,000	
		570,000

Change in net assets of governmental activities (Exhibit 2)	\$	312,500
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The accompanying notes are an integral part of these financial statements.

**HOMER TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2007**

	<u>Current Tax Collection</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 14,841
Total assets	<u>14,841</u>
<b>LIABILITIES</b>	
Due to other governmental units	<u>14,841</u>
Total liabilities	<u>14,841</u>
<b>NET ASSETS</b>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

**HOMER TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Homer Township conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Homer Township:

**A. Reporting Entity**

Homer Township (the "Township") was organized in 1862 and covers an area of approximately 18 square miles. The Township is governed by an elected seven-member board. The Township provides services to its various residents in many areas, including general government, public safety, public works and recreation and culture. As required by GAAP, these financial statements present the Township, which has no component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity."*

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**HOMER TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township property tax is levied each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31<sup>st</sup>.

The 2006 taxable valuation of the Township totaled \$99.5 million on which ad valorem taxes levied consisted of 2.8261 mills for operating purposes. These amounts are recognized as revenue in the general, fire, and road project funds.

The government reports the following major funds:

General Fund - This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, state aid, and charges for services to provide for the administration and operation of: (1) general township governmental departments, boards and commissions; (2) public safety; (3) public works; and (4) recreation and culture. The fund includes the general operating expenditures of the Township.

Fire Fund - This fund is used to account for specific revenue sources generally derived from property taxes, general fund appropriations and charges for services, which are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.

Additionally, the government reports the following fund types:

Debt Service Funds - These funds account for recording long term debt expenditures for the Township.

Capital Project Funds - These funds are used to account for the acquisition or construction of major facilities other than those financed by proprietary fund operations.

Current Tax Collection Fund - This fund is an agency fund used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

**HOMER TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Amounts reported as program revenue include charges to customers or applicants for goods, services or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**D. Assets, Liabilities, and Net Assets**

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Capital Assets— Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 to 40 years
Building improvements	30 to 40 years
Water systems	50 years
Fire apparatus	25 years
Fire equipment	5 to 30 years
Mowing equipment	10 to 20 years
Office equipment	5 to 20 years
Computer equipment	5 to 10 years

Long-Term Obligations—In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.



**HOMER TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2. LEGAL COMPLIANCE**

The annual budget is prepared by the Township's management and adopted by the Township Board; subsequent amendments are approved by the Township Board. The annual operating budget has been prepared in accordance with generally accepted accounting principles. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended (MCL 141.421 et seq.), provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Township's actual expenditures and budgeted expenditures for the funds budgeted have been shown on a functional basis. The approved budgets of the Township for these budgeted funds were adopted to the activity level.

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<b><u>Budgeted Item</u></b>	<b><u>Budget Appropriation</u></b>	<b><u>Actual Expenditure</u></b>
General Fund- Clerk	\$ 29,547	\$ 30,165
General Fund - Cemetery	59,719	67,044
General Fund- Solid Waste	191,989	193,004
General Fund- Water Committee	1,300	1,484
General Fund- Road Improvements	90,000	94,210
General Fund- Planning Commission	5,019	5,805
Fire Dept. Fund – Utilities	24,510	36,472
Fire Dept. Fund – Miscellaneous	-	6,070

**HOMER TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 3. DEPOSITS AND INVESTMENTS**

The Township's deposits and investments are presented on the balance sheet under the following categories:

	<b>Governmental Activities</b>	<b>Fiduciary Funds</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 1,826,233	\$ 14,841	\$ 1,841,074

The breakdown between deposits and investments is as follows:

Bank Deposits (Checking Accounts, Savings Accounts, and Certificates of Deposit)	\$ 1,841,074
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Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States Banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchased; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated five banks for the deposit of Township funds. The investment policy adopted by the Township Board in accordance with Public Act 196 of 1997, has authorized investments in certificates of deposit, savings accounts, local government investment pools organized under PA 121, MCL 129.141 to 129.50, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law.

The Township's deposits and investments are in accordance with statutory authority.

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

Insured (FDIC)	\$ 314,572
Uninsured and Uncollateralized	1,900,634
	<hr/>
Totals	\$ 2,215,206
	<hr/>

**HOMER TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,900,634 of bank deposits (certificates of deposit, checking and savings accounts) that were potentially uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Township had no investment activity.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The Township's current investments have no potential interest rate risk

**HOMER TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 4. CAPITAL ASSETS**

A summary of changes in general capital assets follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets Not Being Depreciated				
Land	\$ 393,154	\$ -	\$ -	\$ 393,154
Capital Assets Being Depreciated				
Land improvements	69,609	-	-	69,609
Buildings and improvements	2,571,709	-	13,871	2,557,838
Equipment	385,689	-	-	385,689
Vehicles	378,938	-	-	378,938
Water system	10,606,606	12,368	-	10,618,974
Subtotal	14,012,551	12,368	13,871	14,011,048
Less Accumulated Depreciation for				
Land improvements	2,633	2,321	-	4,954
Buildings and improvements	597,196	61,107	462	657,841
Equipment	251,765	18,372	210	269,927
Vehicles	158,831	14,701	-	173,532
Water system	1,283,454	212,787	-	1,496,241
Subtotal	2,293,879	309,288	672	2,602,495
Net Capital Assets Being Depreciated	11,718,672	(296,920)	(13,199)	11,408,553
Governmental Activities Capital Assets-Net of Depreciation	\$12,111,826	\$ (296,920)	\$ (13,199)	\$11,801,707

**HOMER TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 4. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to activities of the Township as follows:

General government	\$ 6,927
Public safety	84,752
Public works	213,019
Recreation and culture	4,590
Total depreciation expense	<u>\$ 309,288</u>

**NOTE 5. INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES**

The amounts of the interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 128,251	Fire	\$ 85,343
Water 4	45,633	Building Codes	1,049
Water 8	1,588	Water 6	45,633
		Water 10	1,588
		Capital Project 6	2,686
		Capital Project 8	39,173
<b>Total</b>	<b><u>\$ 175,472</u></b>	<b>Total</b>	<b><u>\$ 175,472</u></b>

**NOTE 6. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township purchases commercial insurance to cover the risks of these losses. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 7. EMPLOYEE RETIREMENT PLAN**

Homer Township provides pension benefits to all township officials and employees except for volunteer firemen and seasonal employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Contributions to the Plan are based on a scale set up in the pension adoption agreement for different levels of compensation. Employees can also make voluntary contributions to the plan. Upon early retirement or termination of service, other than because of death, disability, or normal retirement, benefits in the plan vest immediately at 100%. For the year ended June 30, 2007, the cost to the Township for this plan, including administrative charges, was \$23,212.

**HOMER TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 8. SPECIAL ASSESSMENTS RECEIVABLES**

Special assessments were assessed to the taxpayers of Homer Township to be used for the construction of new water districts. The assessments resulted in receivables totaling \$5,651,746 for the Township as of June 30, 2007 (see Exhibit 8). These receivables are shown as current assets with an offset of a deferred liability, on the June 30, 2007 Government Wide Statement of Net Assets.

**NOTE 9. LONG-TERM DEBT**

The individual fund long-term debt and other general long-term obligations of the Township and the changes therein, are summarized as follows:

	<b>July 1, 2006</b>	<b>Additions (Reductions)</b>	<b>June 30, 2007</b>
Road Special Assessment Bonds, dated July 7, 1993 in the amount of \$80,000 to finance a road construction project. Principal payments are due annually on May 1, with an interest rate ranging from 3.85% to 5.85%, payable May 1 and November 1	\$ 15,000	\$ (5,000)	\$ 10,000
District 1 Water Supply System Bonds with Midland County, dated September 1, 1997 in the amount of \$4,990,000 to finance construction of a water system project. Principal payments are due annually on August 1, with an interest rate ranging from 4.6% to 6.0%, payable February 1 and August 1	3,255,000	(240,000)	3,015,000
Districts 3 and 4 Water Supply System Bonds with Midland County, dated February 1, 2003 in the amount of \$2,955,000 to finance construction of a water system extension. Principal payments are due annually on August 1, with an interest rate ranging from 3.5% to 4.75%, payable February 1 and August 1	2,780,000	(155,000)	2,625,000
Districts 6 and 7 Water Supply System Bonds with Midland County, dated November 1, 2003 in the amount of \$2,660,000 to finance construction of a water system extension. Principal payments are due annually on August 1, with an interest rate ranging from 2.5% to 4.75%, payable February 1 and August 1	2,575,000	(155,000)	2,420,000
Districts 8 and 10 Water Supply System Bonds with Midland County, dated 12/8/05 in the amount of \$375,000 to finance construction of a water system extension. Principal payments are due annually on August 1, with an interest rate ranging from 3.4 % to 4.8 %, payable February 1 and August 1	375,000	(15,000)	360,000
Total Long-Term Debt	<u>\$ 9,000,000</u>	<u>\$ (570,000)</u>	<u>\$ 8,430,000</u>

**HOMER TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 9. LONG-TERM DEBT (Continued)**

The annual principal and interest requirements through maturity for all long-term debt outstanding as of June 30, 2007, are as follows:

<b>Year</b>	<b>General Obligations</b>
2008	\$ 918,237
2009	893,726
2010	870,212
2011	841,974
2012	722,689
Thereafter	6,845,853
	<hr/> 11,092,691
Less Interest	2,662,691
Total	<hr/> \$ 8,430,000 <hr/>

**NOTE 10. AGREEMENT WITH CITY OF MIDLAND**

The Township has an agreement with the City of Midland, dated July 29, 1997, whereby the Township, through bonds issued by the County of Midland, will construct and install a water system that is connected to the City's water system. Upon completion of construction and installation acceptance by the City, the water mains within the Township Water Service Area shall remain the property of the Township. The City shall provide all operation, maintenance and service necessary for the proper, efficient and lawful use of the system. In addition, the City will provide and maintain at its expense all meters for measuring water supplied to Township customers. Finally, the City shall bill each Township customer in accordance with the City Code of Ordinances. The billings will consist of a usage charge to be recognized by the City and a debt service and maintenance surcharge of \$90 per year to each customer, which will be used to help make payments on the Water Supply System Bonds. The agreement shall be effective for an initial term of 40 years and may be renewed as mutually agreed upon by both parties.

**HOMER TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes and related fees	\$ 335,200	\$ 335,200	\$ 322,053	\$ (13,147)
State aid	278,600	278,600	273,281	(5,319)
Charges for services	20,300	20,300	34,126	13,826
Interest and dividends	3,000	3,000	2,140	(860)
Rents and royalties	28,000	28,000	29,758	1,758
Miscellaneous	7,500	7,500	17,700	10,200
Total revenues	<u>672,600</u>	<u>672,600</u>	<u>679,058</u>	<u>6,458</u>
<b>EXPENDITURES</b>				
General Government:				
Township board	21,421	21,421	18,622	2,799
Supervisor	22,062	22,062	21,213	849
Treasurer	32,504	32,504	32,008	496
Assessor	27,500	27,500	26,918	582
Clerk	29,547	29,547	30,165	(618)
Elections	11,053	11,053	10,119	934
Cemetery	59,719	59,719	67,044	(7,325)
Buildings and grounds	41,175	41,175	39,361	1,814
All other general government	128,436	128,436	55,275	73,161
Public Safety:				
Building inspection and regulation activities	3,900	3,900	3,785	115
Public Works:				
Public works	19,543	19,543	19,123	420
Solid waste	191,989	191,989	193,004	(1,015)
Water committee	1,300	1,300	1,484	(184)
Road improvements	90,000	90,000	94,210	(4,210)
Drains	16,621	16,621	16,621	-
Street lighting	12,285	12,285	11,273	1,012
Community/Economic Development:				
Planning commission	5,019	5,019	5,805	(786)
Zoning board of appeals	650	650	595	55
Recreation and Culture:				
Parks and recreation	19,325	19,325	17,779	1,546
Library	27,200	27,200	27,106	94
Capital Outlay:				
General government	13,000	13,000	-	13,000
Public works	5,000	5,000	-	5,000
Parks and recreation	2,000	2,000	-	2,000
Total expenditures	<u>781,249</u>	<u>781,249</u>	<u>691,510</u>	<u>89,739</u>
Excess (deficiency) of revenues over expenditures	(108,649)	(108,649)	(12,452)	96,197
Fund balances-beginning	<u>341,067</u>	<u>341,067</u>	<u>341,067</u>	<u>-</u>
Fund balances-ending	<u>\$ 232,418</u>	<u>\$ 232,418</u>	<u>\$ 328,615</u>	<u>\$ 96,197</u>



**HOMER TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**FIRE FUND**  
**For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes and related fees	\$ 83,000	\$ 83,000	\$ 94,941	\$ 11,941
Interest and dividends	1,000	1,000	3,531	2,531
Rents and royalties	18,000	18,000	24,682	6,682
Total revenues	<u>102,000</u>	<u>102,000</u>	<u>123,154</u>	<u>21,154</u>
<b>EXPENDITURES</b>				
Salaries and wages	18,600	18,600	18,517	83
Payroll taxes	1,100	1,100	1,079	21
Retirement	820	820	816	4
Supplies	6,500	6,500	6,492	8
Contracted services	18,000	18,000	2,713	15,287
Spraying	200	200	183	17
Medical services	200	200	-	200
Telephone	1,850	1,850	1,837	13
Mileage and expenses	3,320	3,320	3,317	3
Dues and subscriptions	1,200	1,200	1,080	120
Training	1,000	1,000	295	705
Insurance	12,500	12,500	12,004	496
Utilities	24,510	24,510	36,472	(11,962)
Repairs and maintenance	8,000	8,000	7,972	28
Miscellaneous	-	-	6,070	(6,070)
Capital outlay	25,000	25,000	-	25,000
Total expenditures	<u>122,800</u>	<u>122,800</u>	<u>98,847</u>	<u>23,953</u>
Excess (deficiency) of revenues over expenditures	(20,800)	(20,800)	24,307	45,107
Fund balances-beginning	<u>76,384</u>	<u>76,384</u>	<u>76,384</u>	<u>-</u>
Fund balances-ending	<u>\$ 55,584</u>	<u>\$ 55,584</u>	<u>\$ 100,691</u>	<u>\$ 45,107</u>

**HOMER TOWNSHIP  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2007**

	Special		Debt Service Funds								Capital Project Funds		Total Nonmajor Governmental Funds
	Revenue Fund		1993 Special Assessment Bonds Roads	1998 Water Supply System Bonds District No. 1	2003 Water Supply System Bonds Districts No. 3	2003 Water Supply System Bonds Distict No. 4	2004 Water Supply System Bonds Districts No. 6	2004 Water Supply System Bonds Districts No. 7	2006 Water Supply System Bonds District No. 8	2006 Water Supply System Bonds District No. 10	Water Construction Districts No. 6	Water Construction District No. 8	
	Building Inspection	Water System Maintenance											
ASSETS													
Cash and cash equivalents	\$ 12,220	102,470	\$ 14,553	\$ 22,008	\$ 82,183	\$ 408,886	\$ 432,679	\$ 39,700	\$ 19,047	\$ 11,370	\$ 268,219	\$ 43,868	\$ 1,457,203
Assessments receivable, net	-	-	2,393	1,236,182	402,480	1,707,520	1,881,792	73,921	244,160	103,298	-	-	5,651,746
Due from other funds	-	-	-	-	-	45,633	-	-	1,588	-	-	-	47,221
Prepaid items	-	-	-	315,263	32,281	175,814	44,593	6,129	-	-	-	-	574,080
Bond issue costs, net	-	-	-	-	-	-	-	-	-	-	-	19,844	19,844
Total assets	\$ 12,220	\$ 102,470	\$ 16,946	\$ 1,573,453	\$ 516,944	\$ 2,337,853	\$ 2,359,064	\$ 119,750	\$ 264,795	\$ 114,668	\$ 268,219	\$ 63,712	\$ 7,750,094
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts payable	\$ 55	\$ 225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 280
Accrued expenses	395	-	-	-	-	-	-	-	-	-	-	-	395
Due to other funds	1,049	-	-	-	-	-	45,633	-	-	1,588	2,686	39,173	90,129
Deferred revenue	-	-	2,393	1,236,182	402,480	1,707,520	1,881,792	73,921	244,160	103,298	-	-	5,651,746
Total liabilities	1,499	225	2,393	1,236,182	402,480	1,707,520	1,927,425	73,921	244,160	104,886	2,686	39,173	5,742,550
Fund balances:													
Reserved for:													
Unreserved and undesignated	10,721	102,245	14,553	337,271	114,464	630,333	431,639	45,829	20,635	9,782	265,533	24,539	2,007,544
Total fund balances	10,721	102,245	14,553	337,271	114,464	630,333	431,639	45,829	20,635	9,782	265,533	24,539	2,007,544
Total liabilities and fund balances	\$ 12,220	\$ 102,470	\$ 16,946	\$ 1,573,453	\$ 516,944	\$ 2,337,853	\$ 2,359,064	\$ 119,750	\$ 264,795	\$ 114,668	\$ 268,219	\$ 63,712	\$ 7,750,094

**HOMER TOWNSHIP**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2007**

	Special Revenue Fund		Debt Service Funds								Capital Project Funds		Total Nonmajor Governmental Funds
	Building Inspection	Water System Maintenance	1993 Special Assessment Bonds for Roads	1998 Water System Bonds District 1	2003 Water System Bonds District 3	2003 Water System Bonds District 4	2004 Water System Bonds District 6	2004 Water System Bonds District 7	2006 Water System Bonds District 8	2006 Water System Bonds District 10	Water Construction District 6	Water Construction District 8	
<b>REVENUES</b>													
Property taxes and related fees	\$ -	\$ 332	\$ 5,477	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,809
Licenses and permits	18,485	1,705	-	-	-	-	-	-	-	-	-	-	20,190
Interest and dividends	-	6,742	65	86,609	24,462	106,103	107,931	4,630	12,924	6,004	7,772	2,594	365,836
Special assessments, net	-	-	-	305,980	30,887	111,860	122,559	21,625	13,000	6,000	-	-	611,911
Miscellaneous	-	71,385	-	12,973	-	-	-	-	-	-	-	-	84,358
Total revenues	18,485	80,164	5,542	405,562	55,349	217,963	230,490	26,255	25,924	12,004	7,772	2,594	1,088,104
<b>EXPENDITURES</b>													
Public safety	32,632	-	-	-	-	-	-	-	-	-	-	-	32,632
Public works	-	61,465	-	-	-	-	-	-	-	-	-	1,183	62,648
Capital outlay	-	-	-	-	-	-	-	-	-	-	2,124	10,244	12,368
Debt service													
Principal	-	-	5,000	240,000	25,730	129,270	150,304	4,696	10,540	4,460	-	-	570,000
Interest	-	-	875	147,026	20,341	88,562	93,303	2,917	11,118	4,700	-	-	368,842
Paying agent fees	-	-	400	-	37	188	-	-	158	67	-	-	850
Total expenditures	32,632	61,465	6,275	387,026	46,108	218,020	243,607	7,613	21,816	9,227	2,124	11,427	1,047,340
Excess (deficiency) of revenues over expenditures	(14,147)	18,699	(733)	18,536	9,241	(57)	(13,117)	18,642	4,108	2,777	5,648	(8,833)	40,764
Fund balances-beginning	24,868	83,546	15,286	318,735	105,223	630,390	444,756	27,187	16,527	7,005	259,885	33,372	1,966,780
Fund balances-ending	\$ 10,721	\$ 102,245	\$ 14,553	\$ 337,271	\$ 114,464	\$ 630,333	\$ 431,639	\$ 45,829	\$ 20,635	\$ 9,782	\$ 265,533	\$ 24,539	\$ 2,007,544

December 19, 2007

Members of the Township Board  
Homer Township  
Midland County, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Homer Township as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

### **PRIOR YEAR COMMENTS**

In our prior year comments and recommendations letter dated February 21, 2007, we recommended the following:

- That the annual Special Assessment rolls be prepared by the Treasurer in July so that the Clerk has time to reconcile the totals to the General Ledger before the audit begins
- That the Township have a more organized filing system
- That water funds #3, #4, #6 and #7 should be reported on a segregated basis and an entire year of separate activity should be recorded for each of these funds
- That a personnel file be created for each employee and the Township obtain new tax withholding documents and INS I-9 forms for each employee
- That a copy of all vendor invoices submitted for payment out of the funds held by Midland County be obtained for the Clerk's files
- That the Clerk enter ALL financial activity for the Township in the General Ledger on a frequent basis.
- That procedures be implemented to back up the accounting system and other significant computer files to an off-site storage device on a weekly basis.
- That a list of funds and their stated purpose be submitted for Board approval, and any new funds be formally approved by the Board.
- That the Township adopt a new credit card policy in accordance with State of Michigan requirements

**The above listed items were reviewed with management of the Township, and we are happy to report that the Township has addressed the issues and made satisfactory corrections.**

### **SIGNIFICANT DEFICIENCIES**

#### **Financial Accounting and Reporting**

Management relies on the Township's auditors to ensure the financial statements conform to generally accepted accounting principles ("GAAP"). Therefore, as a part of our engagement to audit the financial statements, we draft the financial statements and the related footnotes for approval by management and the finance committee of the board of directors. This is a conscious and practical approach to preparing the financial statements since the Township has determined that the costs to established internal controls over financial reporting and to develop the skills and knowledge of its personnel to apply generally accepted accounting principles in preparing the financial statements is greater than the risk of misstatements occurring in the financial statements. However, as a result of recently issued professional auditing standards, this situation meets the definition of a significant deficiency and a material weakness in internal control.

### Financial Accounting and Reporting (continued)

The interim financial statements and management reports are generally prepared on a comprehensive basis of accounting other than generally accepted accounting principles, i.e. the modified accrual basis. It appears that the interim financial reports received by management are appropriate in form and content thereby allowing management to make appropriate decisions regarding financial matters. Therefore, the control weakness over preparation of financial statements in conformity with GAAP is not a significant requirement of management.

We considered this internal control deficiency in planning the scope of our audit procedures and believe that we have appropriately addressed the risk of any misstatements in the audited financial statements. Therefore, due to the relative cost to eliminate the internal control deficiency over financial reporting in conformity with GAAP related to the risks involved and considering the audit procedures performed to address the risk of misstatements in the audited financial statements, we do not recommend any actions to address this weakness at this time. However, we do recommend that management routinely review the internal controls in place to prepare the interim financial reports to ensure accurate information is provided in those reports.

### Bank Reconciliations

The reconciliation process is still improving, but there are still discrepancies between the general ledger and the Treasurer's reports for the tax collection accounts. We recommend that the Treasurer and Clerk reconcile the tax collection accounts in the general ledger each month after the Treasurer prepares the bank reconciliation.

### Appropriations in Budgetary Funds

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. We noted during our audit that the Township incurred expenditures in excess of the amount appropriated in the various activity centers of the General and Fire Funds.

We again recommend the modified accrual basis of accounting be considered when adopting and amending the budget of the Township's governmental type funds. The budget should be amended during the year to reflect expenditures expected to be made in excess of the original budget amounts. These amendments must be approved by the Township Board and documented in the Board's meeting minutes. This will help prevent the Township from incurring expenditures in excess of appropriations.

### OTHER MATTERS

The following items, although not considered reportable conditions, are matters we believe worthy of your consideration.

Financial Oversight

The general limitations in any smaller municipalities like Homer Township requires that Township Board members continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions, and our comment here is intended to emphasize the importance of this oversight.

Documentation of Procedures, Job Descriptions & Expectations

The supervisor is currently writing a personnel manual and writing job descriptions to document employee expectations. We encourage the completion of this project. Additionally, we recommend that a Conflict of Interest Policy be adopted by the Board of Trustees.

Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the June 30, 2007, financial statements, and this report does not affect our report on those financial statements dated December 19, 2007. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Township Board, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script, appearing to read "Burnside & Lang, P.C.", written in dark ink.

**BURNSIDE & LANG, P.C.**

December 19, 2007

Members of the Township  
Board of Trustees  
Homer Township  
Midland, Michigan

This letter is intended to inform the Board of Trustees of Homer Township about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the Board of Trustees.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

#### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

Our audit of the financial statements of Homer Township for the year ended June 30, 2007 was conducted in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

#### **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based on management's current knowledge. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgment about accounting estimates, and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Audit & Assurance Services ■ Accounting & Finance Services ■ Estate & Gift Tax Planning & Consulting  
Tax Planning & Preparation ■ Financial & Management Assistance ■ Business Valuations



### **Audit Adjustments**

There were audit adjustments made to the original trial balance presented to us to begin our audit. In our judgment, the adjustments we proposed, either individually or in the aggregate, are not considered to have a significant effect on the Township's financial reporting process. A copy of all audit adjustments, not yet recorded by the Township Clerk, accompanies this letter.

### **Accounting Policies and Alternative Treatments**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Township. The Township did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval.

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### **Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

### **Consultation with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing related matters.

### **Major Issues Discussed with Management Prior to Retention**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

### **Difficulties Encountered in Performing the Audit**

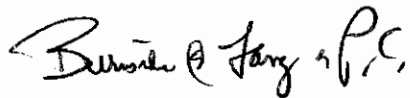
We encountered no significant difficulties in dealing with management in the performance of our audit and appreciate the assistance received from the Township Clerk and Treasurer.

Board of Trustees  
Homer Township  
December 19, 2007  
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**Other Matters**

*Internal Control Policies*

Statement on Auditing Standard (SAS) No. 99, requires auditors to assess risks of fraud after taking into account the evaluation of the Township's programs and controls to prevent, deter and detect fraud. As part of our responsibilities under SAS 99, we have addressed the risk assessment by performing inquiries, completing comprehensive checklists and performing other procedures designed to detect fraud risk factors. SAS 99 further states that it is management's responsibility for designing and implementing effective systems and procedures for preventing, deterring and detecting fraud. While we did not identify any specific fraud risks, we recommend the Township periodically review the controls in place to prevent, deter and detect fraud.

A handwritten signature in black ink, appearing to read "Burnside & Lang, P.C.", is written above the printed name.

BURNSIDE & LANG, P.C.  
Midland, Michigan  
December 19, 2007